

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Eaton Rapids Township	County Eaton
Fiscal Year End 3/31/06	Opinion Date 5/24/06	Date Audit Report Submitted to State 6/16/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	No letter issued - none		
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number 1101008247

**Eaton Rapids Township  
Eaton County, Michigan  
Financial Report  
With Supplemental Information  
March 31, 2006**

Eaton Rapids Township

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## INDEPENDENT AUDITOR'S REPORT

Township Board  
Eaton Rapids Township  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mentor Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and page 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter P.C.  
Certified Public Accountants  
May 24, 2006

## Management's Discussion and Analysis

As management of Mentor Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$947,625 (*net assets*). Of this amount, \$700,313 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$30,077.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$697,197, an increase of \$56,943 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$696,197 or 171% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and community/economic development. The Township does not have any business-type activities as of and for the year ended March 31, 2006.

The Government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$947,625 at the close of the most recent fiscal year.

A portion of the Township's net assets (35%) reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture & fixtures, equipment and vehicles); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

### **Township's Net Assets**

<b>Governmental Activities</b>	<b><u>March 31,</u> <u>2006</u></b>	<b><u>March 31,</u> <u>2005</u></b>
Current and Other Assets	719,854	664,685
Capital Assets, Net	<u>247,312</u>	<u>271,667</u>
<b>Total Assets</b>	<b>967,166</b>	<b>936,352</b>
 Current Liabilities		
<b>Total Liabilities</b>	<b>19,541</b>	<b>18,804</b>
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	247,312	271,667
Unrestricted	<u>700,313</u>	<u>645,881</u>
 <b>Total Net Assets</b>	<b>947,625</b>	<b>917,548</b>

The Township's net assets increased by \$30,077 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$54,432 or 8%, during fiscal year ended March 31, 2006.

### **Township's Changes in Net Assets**

<b>Governmental Activities</b>	<b><u>March 31, 2006</u></b>	<b><u>March 31, 2005</u></b>
<b>Revenue:</b>		
Program Revenue:		
Charges for services	77,407	24,376
Operating Grants and Contributions	-0-	-0-
General Revenue:		
Property Taxes	99,183	126,966
State-Shared Revenues	265,221	258,356
Interest and Rent Earnings	17,964	9,947
Other	<u>4,687</u>	<u>13,531</u>
<b>Total Revenue</b>	<b>464,462</b>	<b>433,176</b>
<b>Expenses:</b>		
General Government	198,980	229,241
Public Safety	184,508	134,686
Public Works	42,446	123,269
Community/Economic Development	<u>8,451</u>	<u>-0-</u>
<b>Total Expenses</b>	<b><u>434,385</u></b>	<b><u>487,196</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>30,077</b>	<b>(54,020)</b>
Net Assets, Beginning of Year	<u>917,548</u>	<u>931,220</u>
<b>Net Assets, End of Year</b>	<b><u><u>947,625</u></u></b>	<b><u><u>877,200</u></u></b>

**Governmental activities.** The Township's total governmental revenues increased by \$32,664 from last fiscal year. This was primarily attributed to an increase in State Grants, Charges for Services, and Interest and Rentals. Expenses decreased by \$52,411. The decrease was primarily due to decreased Public Works expenses.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$697,197, an increase of \$56,943 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 99.8% of this total amount or \$696,197.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 171% and total fund balance represents 171% of total general fund expenditures.

The fund balance of the General Fund increased by \$56,943 during the current fiscal year.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted fund is the General Fund. The General Fund budget was amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$67,423 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$6,610 for the fiscal year ended March 31, 2006.

#### **Township's Capital Assets** (net of depreciation)

	<u><b>March 31,</b></u> <u><b>2006</b></u>	<u><b>March 31,</b></u> <u><b>2005</b></u>
Land	13,000	13,000
Land Improvements	6,001	6,715
Land Improvements – Fire Department	10,167	11,468
Buildings	14,191	14,631
Buildings – Fire Department	114,043	119,426
Furniture & Fixtures	9,165	5,030
Furniture & Fixtures – Fire Department	2,482	3,233
Equipment – Fire Department	26,005	31,568
Vehicles – Fire Department	<u>52,258</u>	<u>66,596</u>
<b>Total</b>	<u><b>247,312</b></u>	<u><b>271,667</b></u>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has estimated that the State Revenue Sharing will increase 2.5%. State Revenue Sharing accounts for approximately 56% of the General Fund revenue. The Township anticipates updating Fire Department equipment with the source of funds being "set-aside" money from prior years and possibly some outside financing sources. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Eaton Rapids Township  
2512 S. Canal Road  
Eaton Rapids, Michigan 48827

## **Basic Financial Statements**

Eaton Rapids Township  
Statement of Net Assets  
March 31, 2006

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 433,354
Investments - Certificates of deposit (Note 3)	201,048
Receivables: (Note 4)	
Other	4,012
Property taxes	20
Intergovernmental	51,499
Due from Fiduciary fund	26,805
Prepaid insurance	3,116
Capital assets-net (Note 5)	<u>247,312</u>
 Total assets	 <u>967,166</u>
 <b>Liabilities</b>	
Accounts payable	19,541
Intergovernmental payables	<u>-</u>
 Total liabilities	 <u>19,541</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	247,312
Unrestricted	<u>700,313</u>
 Total net assets	 \$ <u><u>947,625</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Statement of Activities  
Year ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
General government	\$ 198,980	\$ 57,705	\$ -	\$ (141,275)
Public safety	184,508	19,702	-	(164,806)
Public works	42,446	-	-	(42,446)
Comm./Econ. Develop.	8,451	-	-	(8,451)
Total governmental activities	<u>\$ 434,385</u>	<u>\$ 77,407</u>	<u>\$ -</u>	<u>(356,978)</u>
<b>General Revenues:</b>				
Property taxes - operating				99,183
State-shared revenues				265,221
Interest and investment earnings				17,964
Other				4,687
Total general revenues				<u>387,055</u>
<b>Change in Net Assets</b>				<u>30,077</u>
<b>Net assets</b> - beginning of year				877,200
<b>Prior period adjustment</b> - Note #9				40,348
<b>Net assets</b> - beginning of year - restated				<u>917,548</u>
<b>Net assets</b> - end of year				<u>\$ 947,625</u>
<b>Amounts reported for governmental activities are different because:</b>				
<b>Net Change in Fund Balances - Total Governmental Funds</b>				\$ 56,943
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.				
Depreciation expense		\$ (32,062)		
Capital outlay		<u>7,707</u>		(24,355)
Prepaid items reduce expenses reported in the statement of activities as expenditures in the governmental funds because they require the use of current financial resources				
				<u>(2,511)</u>
<b>Change in Net Assets of Governmental Activities</b>				<u>\$ 30,077</u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Governmental Funds  
Balance Sheet  
March 31, 2006

	<u>General Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 433,354
Investments - Certificates of deposit	201,048
Accounts receivable	4,012
Property taxes	20
Due from other governmental units	51,499
Due from other funds	26,805
Total assets	<u>\$ 716,738</u>
<b>Liabilities</b>	
Accounts payable	\$ 19,541
Due to other funds	-
Due to other governments	-
Total liabilities	<u>19,541</u>
<b>Fund balances</b>	
Reserved	1,000
Unreserved:	
Undesignated:	
General Fund	<u>696,197</u>
Total fund balances	<u>697,197</u>
Total liabilities and fund balances	<u>\$ 716,738</u>

**Amounts reported for governmental activities in the statement of net assets are different because:**

<b>Fund Balances - Total Governmental Funds</b>	\$ 697,197
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	633,687
Accumulated depreciation is	(386,375)
Prepaid items are not available to pay current period expenditures and, therefore, not reported in governmental funds	<u>3,116</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ 947,625</u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Governmental Funds  
Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balances  
Year ended March 31, 2006

	<u>General Funds</u>
<b>Revenues</b>	
Taxes and penalties	\$ 131,493
Licenses and permits	9,653
State grants	265,221
Charges for services	35,444
Interest and rentals	17,964
Other revenue	4,687
Total revenues	<u>464,462</u>
<b>Expenditures</b>	
Current:	
General government	195,827
Public safety	153,088
Public works	42,446
Community/Economic development	8,451
Capital outlay	7,707
Total expenditures	<u>407,519</u>
<b>Excess of Revenues Over (Under)</b>	
<b>Expenditures</b>	56,943
<b>Fund balance - April 1, 2005</b>	592,852
<b>Prior period adjustment - Note #9</b>	<u>47,402</u>
<b>Fund balance - April 1, 2005 - restated</b>	<u>640,254</u>
<b>Fund balance - June 30, 2005</b>	<u><u>\$ 697,197</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Fiduciary Funds  
Statement of Net Assets  
March 31, 2006

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
<b>Assets</b>		
Cash	\$ -	\$ 26,805
Receivables - employer	16,030	-
Investments - at fair value	205,264	-
Due from other funds	-	-
	<u>          </u>	<u>          </u>
Total assets	\$ <u><u>221,294</u></u>	\$ <u><u>26,805</u></u>
 <b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	26,805
Due to other governments	-	-
	<u>          </u>	<u>          </u>
Total liabilities	<u>          </u> -	\$ <u><u>26,805</u></u>
 <b>Net Assets - Held in Trust for Pension Benefits</b>	 \$ <u><u>221,294</u></u>	

See accompanying notes to financial statements.



Eaton Rapids Township  
Fiduciary Fund  
Statement of Changes in Net Assets  
Year ended March 31, 2006

	Trust Fund- Pension Fund
<b>Additions</b>	
Contributions	
Employer	\$ 16,030
Investment earnings	<u>32,628</u>
Total Additions	48,658
 <b>Deductions</b>	
Benefits	<u>19,962</u>
Total deductions	<u>19,962</u>
 <b>Net increase</b>	28,696
 <b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of the year	<u>192,598</u>
End of the year	\$ <u><u>221,294</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Eaton Rapids Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$116,865,865. The 2005 tax levy was .8481 mills for general operating purposes raising \$99,114 for general operating purposes.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	15 years
Buildings and additions	20-40 years
Furniture and fixtures	5-20 years
Equipment	4-10 years
Vehicles	10 years

**Compensated Absences** - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any designated fund balance in the operating fund at March 31, 2006. The reserved fund balance of \$1,000 consists of money contributed to the Township in trust with the investment earnings to be used for the purchase of flowers for the cemetery.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

**Note 2 - Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations in budgeted funds:**

The Township did not incur any expenditures in excess of amounts budgeted.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
			None

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 3 - Deposits and Investments (Continued)**

Eaton Rapids Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Eaton Rapids Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 433,354	\$ 26,805	\$ 460,159
Investments - Certificates of deposit	201,048	-	201,048
Investments - Pension	-	205,264	205,264
Total	<u>\$ 634,402</u>	<u>\$ 232,069</u>	<u>\$ 866,471</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 660,857
Investments	205,264
	<u>\$ 866,121</u>

Cash and cash equivalents on the financial statements includes \$350 of petty cash.

The deposits of the Township were reflected in the accounts of six financial institutions, of which \$649,052 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

The Township has not updated its investment policy to conform with Governmental Accounting Standards Board Statement (GASB) #40.

**Note 4 - Receivables**

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:	General Fund	Fiduciary Pension Fund	Fiduciary Tax Coll. Fund	Total
Other	\$ 4,012	\$ 16,030	\$ -	\$ 20,042
Property taxes	20	-	-	20
Intergovernmental	51,499	-	-	51,499
	<u>\$ 55,531</u>	<u>\$ 16,030</u>	<u>\$ -</u>	<u>\$ 71,561</u>

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 4 - Receivables (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at March 31, 2006.

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Capital assets being depreciated:				
Land improvements	10,715	-	-	10,715
Land improvements - Fire Department	19,505	-	-	19,505
Buildings	17,609	-	-	17,609
Buildings - Fire Department	215,333	-	-	215,333
Furniture & fixtures	37,482	6,134	-	43,616
Furniture & fixtures - Fire Department	4,754	-	-	4,754
Equipment - Fire Department	104,871	1,573	-	106,444
Vehicles - Fire Department	202,711	-	-	202,711
Subtotal	612,980	7,707	-	620,687
Accumulated Depreciation				
Land improvements	4,000	714	-	4,714
Land improvements - Fire Department	8,037	1,301	-	9,338
Buildings	2,978	440	-	3,418
Buildings - Fire Department	95,907	5,383	-	101,290
Furniture & fixtures	32,452	1,999	-	34,451
Furniture & fixtures - Fire Department	1,521	751	-	2,272
Equipment - Fire Department	73,303	7,136	-	80,439
Vehicles - Fire Department	136,115	14,338	-	150,453
Subtotal	354,313	32,062	-	386,375
Net capital assets being depreciated	258,667	(24,355)	-	234,312
Governmental Activities				
Total Capital Assets net of Depreciation	\$ 271,667	\$ (24,355)	\$ -	\$ 247,312

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 5 - Capital Assets (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,153
Public safety	28,909
Total governmental activities	<u>\$ 32,062</u>

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General Fund	\$ 26,805	General Fund	\$	-
Fiduciary Funds	-	Fiduciary Funds		26,805
Total	<u>\$ 26,805</u>	Total	<u>\$</u>	<u>26,805</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
Road Fund	<u>\$ -</u>	General Fund	<u>\$</u>	<u>-</u>

**Note 7 - Risk Management**

Eaton Rapids Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Pension Plan**

Eaton Rapids Township has a defined contribution pension plan covering substantially all employees who choose to belong to the plan. This benefit is an insurance-type plan administered by Benefit Plan Services, Inc., under provisions of Section 401(a) of the Internal Revenue Code. As of March 31, 2006 the plan's current membership was 18.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan has no annual contribution requirement. Plan contributions will be determined annually by the Township Board and all contributions have immediate vesting.

The Township's total payroll for the year ended March 31, 2006 was approximately \$134,478. The payroll of the eligible participants was \$80,150; the Township made the required contribution of \$16,030.



Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2006

**Note 8 - Pension Plan (Continued)**

No pension provision changes occurred during the year that affected the required contributions to be made by the Township .

The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

**Note 9 - Prior Period Adjustment**

The beginning net assets in the government-wide financial statements have been increased (restated) by \$40,348 which represents the State Revenue Sharing received in May 2005 that should have been recorded as a receivable as of March 31, 2005.

The beginning fund balance of the General Fund in the governmental funds has been increased (restated) by \$47,402. This increase is composed of two amounts, the \$40,348 State Revenue Sharing mentioned in the preceding paragraph and \$7,054 which represents the amount Due from Eaton County for the delinquent real estate taxes (and applicable property tax administration fee) from the 2004 levy. Both of these items should have been recorded as receivables at March 31, 2005.

## **Required Supplemental Information**

Eaton Rapids Township  
Budgetary Comparison Schedule - General Fund  
Year ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
<b>Fund Balance - Beginning of year</b>	\$ 620,984	\$ 592,852	\$ 592,852	\$ -
<b>Resources (Inflows)</b>				
Taxes and fees	119,000	119,000	131,493	12,493
Licenses and permits	8,700	8,700	9,653	953
State grants	254,000	254,000	265,221	11,221
Charges for services	28,750	28,750	35,444	6,694
Interest and rentals	7,025	7,025	17,964	10,939
Other	1,500	1,500	4,687	3,187
Amounts available for appropriation	<u>1,039,959</u>	<u>1,011,827</u>	<u>1,057,314</u>	<u>45,487</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	262,325	264,126	195,827	(68,299)
Public safety	148,000	162,493	153,088	(9,405)
Public works	87,000	87,000	42,446	(44,554)
Community/Economic Development	14,500	14,500	8,451	(6,049)
Capital outlay	38,000	21,450	7,707	(13,743)
Total charges to appropriations	<u>549,825</u>	<u>549,569</u>	<u>407,519</u>	<u>(142,050)</u>
<b>Fund Balance - end of year</b>	\$ <u>490,134</u>	\$ <u>462,258</u>	\$ <u>649,795</u>	\$ <u>187,537</u>

## **Supplemental Information**

Eaton Rapids Township  
General Fund  
Detail of Revenues - Budget and Actual  
Year ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes			
Current tax	\$ 87,500	\$ 99,155	\$ 11,655
Delinquent tax	1,500	-	(1,500)
Penalties & interest	-	28	28
Property tax administration fee	30,000	32,310	2,310
Total Taxes	<u>119,000</u>	<u>131,493</u>	<u>12,493</u>
Licenses and permits			
Dog licenses	200	295	95
Cable TV and franchise fees	8,500	9,358	858
Total Licenses and permits	<u>8,700</u>	<u>9,653</u>	<u>953</u>
State grants			
State shared revenue	250,000	261,256	11,256
State Metro Act	4,000	3,965	(35)
Total State grants	<u>254,000</u>	<u>265,221</u>	<u>11,221</u>
Charges for services			
Land split fees	1,500	1,600	100
Summer tax collection	-	5,167	5,167
Fire runs	1,750	3,702	1,952
Fire protection services	15,000	16,000	1,000
Cemetery lot sales	6,000	4,775	(1,225)
Cemetery internment fees	4,500	4,200	(300)
Total Charges for services	<u>28,750</u>	<u>35,444</u>	<u>6,694</u>
Interest and rentals	<u>7,025</u>	<u>17,964</u>	<u>10,939</u>
Other revenue			
Miscellaneous	1,000	1,199	199
Refunds	500	3,488	2,988
Total Other revenue	<u>1,500</u>	<u>4,687</u>	<u>3,187</u>
Total Revenues	\$ <u>418,975</u>	\$ <u>464,462</u>	\$ <u>45,487</u>

Eaton Rapids Township  
General Fund  
Detail of Expenditures - Budget & Actual  
Year ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
Current			
General Government			
Legislative			
Salaries	10,000	5,460	4,540
Classes and conferences	1,000	199	801
Social security	8,500	6,293	2,207
Office supplies	2,990	1,793	1,197
Postage	3,500	2,874	626
Insurance and bonds	6,350	1,048	5,302
Travel	750	286	464
Printing and publishing	8,000	1,441	6,559
Office equipment repairs	1,000	76	924
Office equipment rental	1,750	2,592	(842)
Miscellaneous	451	672	(221)
Refunds	500	-	500
Dues and subscriptions	3,500	2,313	1,187
Retirement	20,000	16,805	3,195
Contingency	15,000	-	15,000
Total Legislative	<u>83,291</u>	<u>41,852</u>	<u>41,439</u>
Supervisor			
Salaries	12,500	12,499	1
Classes and conferences	900	225	675
Legal	15,000	10,829	4,171
Travel	300	-	300
Miscellaneous	100	-	100
Total Supervisor	<u>28,800</u>	<u>23,553</u>	<u>5,247</u>
Clerk			
Salary - Clerk	20,500	20,500	-
Wages - Deputy clerk	10,000	10,026	(26)
Classes and conferences	1,250	1,216	34
Contracted payroll services	1,400	1,400	-
Audit	12,150	12,150	-
Travel	1,000	797	203
Miscellaneous	250	187	63
Total Clerk	<u>46,550</u>	<u>46,276</u>	<u>274</u>
Board of Review			
Wages	1,500	1,440	60
Classes and conferences	75	-	75
Total Board of Review	<u>1,575</u>	<u>1,440</u>	<u>135</u>

Eaton Rapids Township  
General Fund  
Detail of Expenditures - Budget & Actual  
Year ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
Current			
General Government (continued)			
Treasurer			
Salary - Treasurer	\$ 20,500	\$ 20,500	\$ -
Wages - Deputy Treasurer	10,000	7,775	2,225
Classes and conferences	1,250	478	772
Travel	1,000	358	642
Miscellaneous	250	35	215
Total Treasurer	<u>33,000</u>	<u>29,146</u>	<u>3,854</u>
Assessor			
Supplies	250	25	225
Contracted services	19,800	19,800	-
Land split fees	1,000	990	10
Total Assessor	<u>21,050</u>	<u>20,815</u>	<u>235</u>
Elections			
Wages	2,500	10	2,490
Supplies	10	-	10
Total Elections	<u>2,510</u>	<u>10</u>	<u>2,500</u>
Township Hall			
Supplies	600	378	222
Utilities	5,200	4,078	1,122
Maintenance	8,000	2,099	5,901
Custodial wages	600	600	-
Total Township Hall	<u>14,400</u>	<u>7,155</u>	<u>7,245</u>
Cemetery			
Contractual services	18,300	18,300	-
Internment	7,000	5,650	1,350
Utilities	100	87	13
Maintenance	5,000	1,515	3,485
Improvements	2,550	28	2,522
Total Cemetery	<u>32,950</u>	<u>25,580</u>	<u>7,370</u>
Total General Government	<u>264,126</u>	<u>195,827</u>	<u>68,299</u>

Eaton Rapids Township  
General Fund  
Detail of Expenditures - Budget & Actual  
Year ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
Current			
Public Safety - Fire Department			
Salaries and wages	\$ 55,496	\$ 52,868	\$ 2,628
Classes and conferences	3,000	6,763	(3,763)
Social security	5,200	4,029	1,171
Office supplies	500	394	106
Custodial supplies	300	267	33
MFR supplies	800	559	241
Operating supplies	18,000	16,597	1,403
Physicals	1,500	1,101	399
Fuel	2,578	1,949	629
Travel	300	229	71
Insurance	29,866	29,866	-
Utilities	8,677	6,349	2,328
Maintenance - building & grounds	8,200	2,989	5,211
Maintenance - equipment	25,360	26,541	(1,181)
Miscellaneous	1,266	1,230	36
Dues and subscriptions	1,450	1,357	93
Total Fire Department	<u>162,493</u>	<u>153,088</u>	<u>9,405</u>
Public Works			
Drains at large	8,000	7,713	287
Public improvement - roads	79,000	34,733	44,267
Total Public Works	<u>87,000</u>	<u>42,446</u>	<u>44,554</u>
Community/Economic Development			
Planning Commission			
Wages	4,000	2,820	1,180
Classes and conferences	500	135	365
Miscellaneous	10,000	5,496	4,504
Total Comm./Econ. Development	<u>14,500</u>	<u>8,451</u>	<u>6,049</u>
Capital Outlay			
General Government			
Legislative	13,000	6,134	6,866
Townhall	3,000	-	3,000
Pubic Safety - Fire Department	5,450	1,573	3,877
Total Capital Outlay	<u>21,450</u>	<u>7,707</u>	<u>13,743</u>
Total Expenditures	<u>\$ 549,569</u>	<u>\$ 407,519</u>	<u>\$ 142,050</u>



Eaton Rapids Township  
Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year ended March 31, 2006

Current Tax Collection Fund				
	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Assets</b>				
Cash	\$ <u>26,985</u>	\$ <u>3,111,273</u>	\$ <u>3,111,453</u>	\$ <u>26,805</u>
<b>Liabilities</b>				
Due to other funds	\$ 26,985	\$ 132,748	\$ 132,928	\$ 26,805
Due to county	-	1,571,719	1,571,719	-
Due to schools	-	1,390,052	1,390,052	-
Refunds	<u>-</u>	<u>16,754</u>	<u>16,754</u>	<u>-</u>
Total liabilities	\$ <u>26,985</u>	\$ <u>3,111,273</u>	\$ <u>3,111,453</u>	\$ <u>26,805</u>